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ABSTRACT

A study completed in Winter 1971 report on the financial condition of institutions affiliated with the Commission for Independent Colleges and Universities (CICU). Its analysis showed a steady deterioration of financial operating results from a positive $10 million to a negative $1 million. The purpose of the present study was to: (1) measure the current financial condition of CICU institutions; (2) ascertain the actions being taken by institutions in response to financial pressures; and (3) supply institutions some comparative resource and financial data from the earlier study. The results of the update study present a picture that is hopeful in some respects but troublesome and complex in others. They reveal, on the one hand, that in an overall view, the financial crunch has lessoned considerably. But many institutions, at the same time, have experienced steadily worsening problems. It is considered by the authors that the 1970-71 improvement may only be short-term in nature. (HS)

ED 060812

UPDATE STUDY OF THE FINANCIAL CONDITION OF INDEPENDENT HIGHER EDUCATION IN THE COMMONWEALTH OF PENNSYLVANIA

COMMISSION FOR INDEPENDENT COLLEGES AND UNIVERSITIES

FEBRUARY 1972

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February 15, 1972

Dr. Keith Spalding
Chairman, Executive Committee
Commission for Independent Colleges
and Universities
232 North Second Street
Harrisburg, Pennsylvania 17101

Dear Sir:

With this letter we submit our report, Update Study of the Financial Condition of Independent Higher Education in the Commonwealth of Pennsylvania. The letter prefaces the detailed study results by: (1) indicating the background and objectives of the study, (2) summarizing study results, and (3) outlining the organization of the body of the report.

Study Background
And Objectives

Our original study, completed 1 year ago, reported on the financial condition of CICU institutions. Its analyses showed a steady deterioration of financial operating results over the preceding 5-year period - 1965-66 to 1969-70. During that period, operating results had declined from a positive $19 million to a negative $1 million. * The most disturbing feature of these results was that revenues and expenditures were in sufficient disequilibrium to suggest that the effects of normal inflation on the existing resource base would produce increasingly large deficits. Indeed, our projection indicated that without some new sources of revenue or cutbacks in the level of real resource utilization per student, operating results would sink to a negative $41 million by 1975-76.

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* - This report, as discussed in Appendix A, uses a similar but modified data base to reflect the different number of participating institutions and some improved data.

The seriousness of our conclusions led to this updated study, which had three principal objectives: (1) to measure the current financial condition of CICU institutions, (2) to ascertain the actions being taken by institutions in response to financial pressures, and (3) to supply institutions some comparative resource and financial data from the earlier study.

To accomplish the first two objectives, we requested each institution to send us 1970-71 audited data and 1971-72 budget data on resource utilization and financial results. At the same time, to achieve the third objective, we provided each institution with computer printouts from the original study. These permitted examination of individual financial condition and actions within the context of data from the institution's group of comparable institutions.

The institutions responded to our request for data, as they had before - with the complete cooperation necessary for the successful achievement of the study objectives. In light of the other demands on their time, their cooperation was especially appreciated. To establish significant trends, it was vital that a substantial portion of institutions that participated in the earlier study (64) also take part in the update; we were pleased that 61 institutions - which represent more than 97 percent of the total student enrollment of CICU - chose to submit data for the current study.

Summary of Study Results

The results of the update study present a picture that is hopeful in some respects but troublesome and complex in others. The aggregate operating results of the 61 institutions improved from a negative $3.6 million* in 1969-70 to a positive $2.9 million in 1970-71. This result is certainly a welcome one, but final conclusions are dependent upon careful review of the underlying data. This review must consider how pervasive the improvement was, as well as how fundamental - i.e., is the direction of change of only short-term significance or does it reflect fundamental changes in institutional financial conditions? We saw that not all groups of institutions experienced improved results - e.g., Groups A and B did not. The five Group E institutions accounted, as a group, for 77 percent of the aggregate improvement; thus, the overall improvement tends to obscure the worsening condition of some other institutions - e.g., the number of institutions which experienced negative operating results in excess of 6 percent of expenditures increased from six to nine. Moreover, many institutions improved their operating results by the expedient of abnormally sharp increases in tuition.

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* - See Appendix A for the explanation of the difference between this number and the negative $1 million cited on page 1.

The average tuition increase in Group C institutions, for example, was almost 15 percent, as compared to an historical average increase of 7.7 percent. We do not believe such sharp boosts in tuition can be continued without considerable risk of reducing the institutions' ability to attract qualified students. If, however, tuition increases are held down in the future, expenditures will once again overtake revenues. For this reason, we characterize much of the improvement in 1970-71 as short-term in nature.

When we analyze the difference between the actual results for 1970-71 and our projected line for 1970-71, we estimate that 80 percent of the realized improvement was derived from short-term measures (e.g., the abnormally sharp increases in tuition) and the remainder from fundamental changes.

We define fundamental change as whatever curtailment in expenditures of real resources per student will tend over the long term to bring expenditures back in balance with revenues. In the report, we examined five of the numerous areas in which such curtailment can take place: (1) faculty utilization, (2) library, (3) departmental support, (4) administration, and (5) plant maintenance and operation. We found that only Group E, the group with a dramatic improvement in operating results, took significant action in each of the five areas.

Using the new 1970-71 base, we made revised projections of operating results. These projections indicated negative results of $36 million by 1975-76 as compared to a negative $43 million result based on the 1969-70 data. We have interpreted this $7 million improvement as being a consequence of fundamental change in resource utilization achieved from 1969-70 to 1970-71.

The budgeted data for 55 of the institutions confirmed our belief (and projections) that the operating results will again worsen. These budget data, which are estimates, showed a decline in operating results in each group for 1970-71, with the aggregate decline for all institutions totaling $4.7 million.

We also examined 1970-71 plant results, which did not show the improvement during 1970-71 seen in operating results. To the contrary, they had deteriorated $17.6 million from 1969-70 - an aggregate negative result of minus $56 million. This result was a consequence of new plant construction continuing at the pace of the past, while aggregate private capital gifts and grants declined 33 percent. Based on the data for 1970-71, we project negative plant results of $30 million in 1975-76. Although we are concerned by these projected plant results, we note that since capital construction is far more discretionary than are operating expenditures, once the momentum inherent in already planned construction has spent itself, institutions are likely to curtail capital expenditures to match income.

Organization of The Report

We have organized the report into three chapters and two appendixes:

Chapter 1 - Financial Condition - discusses the financial condition of CICU institutions as reported in 1970-71.

Chapter 2 - Analysis of Financial Condition - examines the actions taken by groups of institutions to produce the results presented in Chapter 1.

Chapter 3 - Assessment of Future Financial Condition - presents revised projection results for 1975-76 and assesses the import of these for the CICU institutions.

Appendix A discusses the nature of changes made to the historical data base (1965-66 to 1969-70) in the update study from the original study; Appendix B presents detailed data, by group, of historical and projected results.

We believe the coming years will prove to be a decisive period in the history of independent higher education, and hope that the findings of this study will assist institutions in coming to terms with financial pressures. As we did in the original study, we found working with CICU institutions in this effort a pleasure and appreciated the continuous cooperation of the participating institutions.

Respectfully submitted,

McKinsey & Company, Inc.

GROUPS OF INSTITUTIONS

GROUP A - 7 Institutions

Dropsie University
Keystone Junior College
Mount Aloysius Junior College
Philadelphia College of Art
Philadelphia College of Pharmacy
Philadelphia College of Textiles
Saint Charles Borromeo Seminary

GROUP B - 14 Institutions

Allentown College of Saint Francis de Sales
Cabrini College
Chestnut Hill College
Gannon College
Geneva College
Holy Family College
Immaculata College
La Roche College
Mercyhurst College
Our Lady of Angels College
Robert Morris College
Saint Francis College
Villa Maria College
York College of Pennsylvania

GROUP C - 29 Institutions

Albright College
Allegheny College
Alliance College
Beaver College
Carlow College
Cedar Crest College
College Misericordia
Elizabethtown College
Juniata College
King's College
LaSalle College
Lebanon Valley College
Lycoming College
Marywood College
Messiah College
Moravian College
Muhlenberg College
PMC Colleges
Point Park College
Rosemont College
Saint Joseph's College
Saint Vincent College
Seton Hill College
Susquehanna University
Thiel College
Ursinus College
Waynesburg College
Westminster College
Wilkes College

GROUP D - 9 Institutions

Chatham College
Dickinson College
Franklin & Marshall College
Gettysburg College
Haverford College
Lafayette College
Swarthmore College
Washington & Jefferson College
Wilson College

GROUP E - 5 Institutions

Bucknell University
Drexel University
Duquesne University
Villanova University
University of Scranton

GROUP F - 4 Institutions

Bryn Mawr College
Carnegie-Mellon University
Lehigh University
University of Pennsylvania

UPDATE STUDY OF THE FINANCIAL CONDITION OF INDEPENDENT HIGHER EDUCATION IN THE COMMONWEALTH OF PENNSYLVANIA

COMMISSION FOR INDEPENDENT COLLEGES AND UNIVERSITIES

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UPDATE STUDY OF THE FINANCIAL CONDITION OF INDEPENDENT HIGHER EDUCATION IN THE COMMONWEALTH OF PENNSYLVANIA

COMMISSION FOR INDEPENDENT COLLEGES AND UNIVERSITIES

1 - FINANCIAL CONDITION

Our earlier report on the financial condition of CICU institutions* identified the sharp aggregate decline in operating results that had occurred over the previous 5-year period - a decline from a positive $19 million in 1965-66 to a negative $0.9 million in 1969-70. Moreover, on the basis of projected financial conditions, the report suggested that in the absence of new sources of revenues, the existing patterns of resource utilization would not be viable in the foreseeable future. Indeed, we had anticipated that, as the large projected deficits ($41 million by 1975-76) could not be sustained by the institutions, some cutbacks in institutional programs would be necessary as impending deficits loomed larger. The latent concerns expressed by the report were: (1) whether institutions would act quickly and decisively enough; and (2) what would be the nature of the impact on education programs of the actions chosen by the various groups of institutions to respond to financial pressures.

This update, one year after the original study, was designed to respond to these concerns by obtaining an early reading on: (1) the institutions' changing financial conditions, and (2) the nature of the responses taken by the six groups of institutions. In this chapter, we will examine the first year's change in operating and plant results; in the next chapter, we will analyze the factors that accounted for the changes; and finally, in the last chapter we will reassess the future financial condition of CICU institutions.

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* - Study of the Financial Condition of Independent Higher Education in the Commonwealth of Pennsylvania (1971, Commission for Independent Colleges and Universities, Harrisburg, Pennsylvania).

1970-71
OPERATING RESULTS

The aggregate operating result for the 61 institutions participating in the update survey was a positive $2.9 million in 1970-71. This is a $6.5 million improvement over the negative $3.6 million result reported by these institutions in 1969-70.* Moreover, it is a departure from the steady financial deterioration reported over the historical period 1965-66 to 1969-70.

Results
By Group

In Table 1 we show the operating results for each group of institutions for 1969-70 and for 1970-71.

Table 1

OPERATING RESULT BY GROUP
(Dollars in Thousands)

Group	1969-70	1970-71	Change
A	+ 200	- 40	- 240
B	+1,381	+ 930	- 451
C	+1,333	+1,994	+ 661
D	-1,245	- 912	+ 333
E	-2,561	+2,467	+5,028
F	-2,757	-1,574	+1,183
TOTAL	-3,649	+2,865	+6,514

* - The negative $3.6 million result used as the 1969-70 base for the 61 institutions differs from the negative $0.9 million reported as the 1969-70 operating result in our original study. The difference is primarily accounted for by the existence of improved data for three institutions; in the first Study we did not have access to certain audits. In addition, some of the difference is attributable to the fact that only 61 institutions participated in this survey, while 64 participated in the original Study. In Appendix A, we compare the historical data base used in this update study with that of the original Study.

The most notable feature of these data, in addition to the overall magnitude of the change, is that the positive aggregate change in the operating result is not representative of all the groups. The results of Groups A and B declined; Group C showed a modest improvement in a previously positive base; Groups D and F which showed some improvement over their 1969-70 results, nevertheless continued to have negative results. Group E showed the most dramatic improvement in operating results - from a negative $2.6 million in 1969-70 to a positive $2.5 million in 1970-71. In fact, Group E results accounted for 77 percent of the aggregate improvement for the six groups. In later sections we will pay close attention to those actions taken by Group E institutions that brought about the dramatic reversal in operating results.

Results by Account

In Table 2 we show the breakdown of operating results, by account, for the aggregated data of 61 institutions.

Table 2

OPERATING RESULTS BY ACCOUNT
(Dollars in Thousands)

	1969-70	1970-71	Net Change
Educational and General* (excluding Sponsored Research)	+$12,231	+$20,432	+$8,201
Student Aid	-$23,243	-$25,547	-$2,304
Sponsored Research and Major Public Service	+$ 8,975	+$ 9,632	+$ 657
Auxiliary Enterprises	-$ 1,612	-$ 1,652	-$ 40

* - The E & G result includes $15,036,000 of state maintenance payments in both years.

It is evident from the data in Table 2 that virtually all of the improvement in net operating results occurred within the Educational and General (E & G) account. The Student Aid account showed an even greater negative result in 1970-71 than in 1969-70. Appendix B shows these account results by group and indicates the corresponding levels of revenues and expenditures.

Results of
Individual Institutions

Just as the group results differ markedly from one another, the results for individual institutions within the groups also tend to differ widely. Table 3 summarizes the direction of change in operating results for institutions within each group.

Table 3

CHANGE IN INSTITUTIONS' OPERATING RESULT

1969-70 to 1970-71

Group	Number of Institutions	Institutions with Deteriorating Results		Institutions with Improved Results	
		Number	Percent	Number	Percent
A	4	3	75%	1	25%
B	13	8	62	5	38
C	27	14	52	13	48
D	8	5	62	3	38
E	5	0	0	5	100
F	4	2	50	2	50
TOTAL	61	32	52%	29	48%

In Groups A, B, and D, well over half of the institutions had deteriorating operating results. In Groups C and F about as many institutions showed improvement as had deteriorating results. All of the institutions in Group E, however, as might be expected from their marked aggregate improvement, improved their operating results from 1969-70 to 1970-71.

Exhibit I provides an even clearer picture of the changing financial conditions of individual institutions; it shows the distribution of institutions according to the percentage of expenditures represented by their operating results - for both 1969-70 and 1970-71.

Exhibit I shows strikingly that, although there were fewer institutions in 1970-71 than 1969-70 with negative operating results, of that number there are more with relatively large negative results - i.e., nine institutions had negative results of 6 percent or more of expenditures in 1970-71, whereas only six institutions had such large negative results in the prior year.

In the short run the negative results of some of these institutions can be covered by drawing on institutional liquid net worth, * or even by going into debt; but for the longer term, such modes of operation are not economically viable. Moreover, many institutions have little or no liquid net worth from which to temporarily sustain negative operation results and thus view deficits of any size with concern.

Our analyses show that at their level of negative operating results in 1970-71, 13 institutions ** will have exhausted their liquid net worth in the next 5 years unless their liquid net worth is unexpectedly increased through material undesignated gifts. *** We do not mean to suggest that these institutions are necessarily in imminent danger of closing their doors. In fact, three institutions who were in this category in 1969-70 improved their operating results in 1970-71, through large increases in enrollment or tuition, to the point where they showed operating surpluses. However, such actions are not possible for all institutions. Nevertheless, the number of institutions in this category increased in spite of the aggregate improvement in operating results in 1970-71. Thus, a growing number of institutions appear subject to truly serious financial pressures.

1970-71
PLANT RESULTS

Plant results in 1970-71 did not show the improvement seen in the operating results. On the contrary, aggregate plant results were a negative $56 million - $17.6 million more negative than in 1969-70. Table 4 shows these plant results for 1970-71 and changes from the average of 1968-69 and 1969-70 by group.

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* - We include in "liquid net worth" the balance and reserve of those funds not legally restricted - i.e., (1) current general funds, (2) unexpended plant funds, and (3) quasi-endowment funds.

** - These 13 institutions have a total full-time equivalent enrollment of about 18,500, approximately 13 percent of total CICU enrollment.

*** - This number would probably be larger if all of the institutions participating in last year's survey had provided data for this year - two institutions in the "exhausted" category in 1969-70 did not submit data for 1970-71.

Table 4

PLANT RESULTS BY GROUP
(Dollars in Thousands)

Group	Average 1968-70	1970-71	Change
A	+ 31	- 899	- 930
B	- 3,977	- 5,032	-1,035
C	-18,920	-15,300	+3,620
D	+ 670	- 1,711	-2,381
E	- 7,679	-16,058	-8,379
F	- 8,635	-17,161	-8,526
TOTAL	-38,530	-56,161	-17,631

Table 4 demonstrates that only one group - Group C - improved its plant results during the 2-year period. More significantly, in 1970-71 all of the groups had negative plant results, whereas two groups had enjoyed positive results in 1969-70.

The circumstance accounting for the sharp decline in plant results was the continuation of new plant construction at the relatively high levels of the past at the same time institutions were experiencing a significant decline in private capital gifts and grants.

Table 5 compares the level of capital giving for each group in 1970-71 with the average giving for the previous 2 years (1968-69 and 1969-70).

Table 5

CAPITAL GIVING
(Dollars in Thousands)

Group	Average 1968-70	1970-71	Growth Rate
A	688	1,057	+ 33%
B	2,634	1,801	- 22%
C	9,985	12,196	+ 14%
D	9,802	4,655	- 39%
E	4,890	6,187	+ 27%
F	25,689	12,001	- 40%
TOTAL	53,683	37,897	- 33%

While Groups A, C, and E increased the level of capital funds received, Groups B, D, and F did not; in total, capital giving declined by about one-third. The major portion of the decline is attributable to Group F's decline of $13.7 million. Because of the large fluctuations that can occur in capital giving from year to year - depending on whether major campaigns are in progress - a single year's data should be viewed cautiously. Nevertheless, individual institutions have remarked that they were not able, even with special campaign efforts, to raise funds for plant under construction. Therefore, to the extent the fall in giving is part of a new trend, the decline must be viewed with concern.

As can be seen from the data in Table 6, during 1970-71, new plant construction generally maintained the pace of recent years. When new plant additions are viewed by group, it is evident that the doubling in construction by Group E offset significant declines in Groups D and F, while Groups B and C maintained their levels of the previous 2 years.

Table 6

ADDITIONS TO PLANT
(Dollars in Thousands)

Group	Average 1968-70	1970-71	Change
A	729	1,429	+ 700
B	7,742	7,540	- 202
C	31,883	31,854	- 29
D	9,991	5,726	- 4,265
E	9,816	20,371	+10,555
F	30,984	27,493	- 3,491
TOTAL	91,145	94,413	+ 3,268

The high absolute value of new plant addition allowed Groups C and F to increase their plant* per student by 2.5 and 3.5 percent, respectively. Groups B and D held plant per student essentially constant with an increase of less than one percent. Because of their large enrollment growth, Groups A and E actually experienced declines of several percentage points in plant per student.

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* - Plant is measured in terms of replacement value in 1971 dollars.

TOTAL RESULTS

Because of the sharp decline in plant result and despite the improvement in operating result, the aggregate total results in 1970-71 deteriorated from the 1969-70 position. As can be seen from the total results for each group of institutions in Table 7, all are negative.

Table 7

TOTAL RESULTS
(Dollars in Thousands)

Group	1969-70	1970-71	Change
A	+ 41	- 899	- 940
B	- 2,616	- 4,102	- 1,486
C	-17,587	-13,306	+ 4,281
D	- 575	- 2,623	- 2,048
E	- 7,679	-16,058	- 8,379
F	-11,392	-18,735	- 7,343
TOTAL	-39,808	-55,723	-15,915

As a consequence of negative total results, the institutions in aggregate incurred new debt of almost $40 million. Debt service expenditures were up significantly in four groups, and ranged from 2.4 to 6 percent of total operating expenditures among the six groups.

Having identified the changes in operating results, plant results, and total results that occurred between 1969-70 and 1970-71, we turn in the next chapter to an analysis of the institutional actions that produced these results.

2 - ANALYSIS OF FINANCIAL CONDITION

Insofar as it is adequately measured by the operating result, the financial condition of the institutions we studied appears to have improved from 1969-70 to 1970-71. However, while we believe that the data presented in Chapter 1 represents some fundamental improvement in financial condition, we also believe that by and large most of the improvement will prove to be short-lived.

To support this conclusion, we must refer to the analysis we presented in our earlier report on the financial condition of CICU institutions. In that report we suggested that the historically rapid growth of operating expenditures had resulted in a situation of disequilibrium such that even maintenance of existing patterns of resource utilization (i.e., no further program enrichment) and allowance for normal inflationary adjustments to revenues and expenditures would produce ever-growing deficits. We projected that, in the absence of responsive action on the part of the institutions, deficits would grow to $41 million by 1975-76. As such levels of deficits would not be sustainable by the institutions, we stated that in the absence of new sources of revenues, institutions would have to take unusual actions to restore the balance between revenues and expenditures. The types of actions taken fall into two categories:

1. Curtailment of real resources expended per student, to be achieved mostly by a cutback in expenditures (in 1970 dollars), but also by means of increases in enrollment without commensurate increases in resources. We will refer to such action as fundamental change.

2. Larger increases in tuition revenues and smaller increases in faculty salaries than projections of per capita disposable income. As we will discuss, we concluded that these did not represent real solutions to the problem because institutions would not be able to continue these practices if they were to remain competitive. We refer to actions such as these as short-term measures.

We will, in this chapter, examine the factors contributing to the improved 1970-71 operating results, characterizing them according to the above two categories of action. In addition, in the last part of the chapter, we will present an analysis of institutional budgets for the current year (1971-72) to provide some indication of the probable direction of change in financial condition beyond 1970-71.

FUNDAMENTAL CHANGE

It was evident in Chapter 1 that the improvement in operating results enjoyed by Groups C, D, E, and F was largely a consequence of improvements in the Educational and General (E & G) accounts of these groups. In Groups D, E, and F, the improvement was accomplished through a significant reduction in the growth of expenditures and, in particular, by keeping expenditure growth below that of revenues. In Exhibit II we show the growth rates of revenues and expenditures for all groups in 1970-71, and compare these to historical rates.

In viewing Exhibit II and subsequent data, a 5 to 6 percent growth rate in expenditures per student - comparable to the growth of per capita personal disposable income - should be considered to be a rate approximately equivalent to maintenance of a constant level of resources per student. To translate the data in Exhibit II to a per student basis, we show, in Table 8, the average 1970-71 growth in E & G (nonresearch) expenditures per student.

Table 8

GROWTH IN E & G EXPENDITURES PER FTEE
(1969-70 to 1970-71)

Group	
A	+ 4.6%
B	+10.1%
C	+ 9.9%
D	+ 3.7%
E	- 2.4%
F	+ 1.1%

Using the E & G expenditures criterion (remembering that a 5 to 6 percent growth rate represents no significant change in real terms), Groups B and C continued to increase the level of real resources per student; Groups A and D probably reduced the level of resources per student slightly; and Groups E and F exhibited a definite decline in real resources expended per student.

The rate of growth of expenditures is dependent on actions taken by institutions in their internal operations. We examine change in five such areas:

(1) faculty, (2) departmental support, (3) libraries, (4) administration, and (5) plant maintenance and operation (plant M & O).

Table 9 compares the change in student-faculty ratios (weighted FTEE/FTEF)* among the six groups. (As dollar expenditures are not included in the measurement, constant resources per student would be represented by zero change; a negative change represents an increase in resources per student.)

Table 9

PERCENT OF CHANGE IN STUDENT-FACULTY RATIO
(1969-70 to 1970-71)

Group	
A	+2.7%
B	-4.1%
C	-5.4%
D	+2.2%
E	+6.2%
F	-1.0%

It is apparent that while Groups B, C, and F continued to increase numbers of faculty per student, other groups achieved some fundamental change (with favorable impact on operating results).** Group E achieved the greatest increase in weighted FTEE/FTEF, a factor of significant influence in its large turn-around in operating results.

Table 10 shows the changes that occurred in the ratio of Instruction and Departmental Research (I &DR) expenditures to expenditures for instructional salaries alone.

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* - Graduate students are counted twice to reflect their greater consumption of educational resources.

** - We cannot, without detailed examination of the institutions in question, offer any conclusions as to the possible effect of these reductions on the quality of educational programs.

Table 10

PERCENT OF CHANGE IN I & DR

EXPENDITURES/INSTRUCTIONAL SALARIES
(1969-70 to 1970-71)

Group	
A	-0.5%
B	+2.9%
C	-0.5%
D	+1.4%
E	-1.0%
F	-7.1%

As I & DR includes instructional salaries, the ratio is an indicator of whether other departmental support costs such as secretarial support, travel, and computer services are increasing or decreasing relative to instructional salaries. As no group decreased the absolute number of its faculty, a positive change as occurred in Groups B and D represents an increase in resources expended for departmental support. Groups A, C, and E show small declines. Group F had a significantly large decrease in departmental support expenditures; that factor was the largest determinant in the decline - noted earlier in Table 8 - in Group F's resources per student.

Table 11 presents comparative data on the growth of library expenditures per weighted FTEE.

Table 11

PERCENT OF CHANGE IN LIBRARY

EXPENDITURES PER WEIGHTED FTEE
(1969-70 to 1970-71)

Group	
A	+0.5%
B	+5.4%
C	+9.6%
D	+8.1%
E	-5.2%
F	+7.1%

Only Groups A and E reduced resources per student - e.g., fewer library staff or fewer new books. *

In Table 12, we compare growth rates in general administrative, general institutional, and student services expenditures per weighted FTEE.

Table 12

PERCENT OF CHANGE IN GENERAL ADMINISTRATIVE, INSTITUTIONAL, AND STUDENT SERVICE EXPENDITURES PER STUDENT
(1969-70 to 1970-71)

Group	
A	+ 0.1%
B	+10.0%
C	+13.8%
D	+ 7.0%
E	- 1.1%
F	+ 7.3%

Once again we note that only Groups A and E reduced real resources expended per student. It is also noteworthy that the proportion of these expenditures represented by student services rose by 1 or 2 percent in every group except Group E, in which they declined by a like amount.

The final functional area we examine is Plant Maintenance & Operation (Plant M & O) expenditures per dollar of replacement value of plant. Since replacement value is measured in constant 1971 dollars, one would expect this ratio to increase at the same rate as inflation if a constant amount of resources were being devoted to the maintenance function. Table 13 compares changes in Plant M & O expenditures per dollar of replacement value of plant.

---

* - As the inflation rate was in excess of 4 percent, Group A's growth rate of plus 0.5 percent in dollar expenditures represents a real decline in resources devoted to library operations.

Table 13

PERCENT OF CHANGE IN PLANT M & O

PER REPLACEMENT VALUE
(1969-70 to 1970-71)

Group	
A	+ 8.6%
B	+ 4.5%
C	+14.0%
D	+ 5.2%
E	- 6.0%
F	+ 1.2%

In light of the historical inflationary increase in this parameter (about 6 percent per year), four groups - B, D, E, and F - seem to have achieved some real reduction in the maintenance area. Discussions with institution presidents and business officers indicate that this is often the first area to be investigated for cost-reduction opportunities.

The pattern that emerges from the foregoing examination is that: (1) only Group E institutions have achieved some fundamental change in each area of operation, and (2) Groups A, B, and C institutions generally have continued in the opposite direction - i.e., increasing resources per student in most areas. The pattern is less clear for Groups D and F, which have achieved fundamental change in some areas but not in others.

SHORT-TERM IMPROVEMENTS

Short-term improvements in operating results were achieved by: (1) relatively large increases in tuition and fee rates, and (2) small increases in faculty salaries. We discuss each below.

Tuition and Fee Income

In Exhibit III, we compare percentage increases in tuition and fees per FTEE in 1970-71 to both the historical rates and the 5 percent projected rate of increase in U.S. per capita disposable income. It is apparent that all groups, except for A and F, raise tuition and fees significantly more rapidly than they have in the

past. We have calculated that if all groups had raised tuition rates by an average of only 5 percent - the projected rate - total operating revenues would have been $10.1 million less in 1970-71.

We do not believe that institutions can continue to increase their tuition rates by these amounts without diminishing their capability to attract students who are able to pay. Therefore, we suspect the groups which raised tuition substantially in 1970-71 will raise tuition rates at less than 5 percent in the future - and to the extent this is true, the cost pressure (i.e., growing deficits) alleviated in this year will re-emerge in future years.

Our primary reason for suspecting that increased tuition rates will impair the ability of students to attend is that the institutions, for the most part, have not increased student aid at a rate commensurate with tuition increases. Theoretically, if tuition increases faster than per capita disposable income, student aid must grow more rapidly than tuition (i.e., be a larger fraction of tuition) if students are to continue to have the same opportunities to attend. In Table 14 we can see that in four groups student aid decreased relative to tuition and fee income reversing the trend from 1965-66 to 1969-70.*

Table 14

CHANGE IN STUDENT AID EXPENDITURES AS

PERCENTAGE OF TUITION AND FEE REVENUE

Historical

Group	1965-66 to 1969-70	1969-70 to 1970-71
A	+3.2%	+0.1%
B	+3.4%	-0.7%
C	+1.8%	0.0%
D	+1.9%	-0.4%
E	+2.5%	-1.4%
F	+6.2%	-0.5%

* - Nevertheless, as we saw in Chapter 1, total student aid expenditures and the negative student aid results increased. Tuition rates which increased faster than the rate of aid caused the ratio to decline.

Faculty Salaries

Most groups of institutions chose not to increase faculty salaries as rapidly as we had projected or as rapidly as they had in the past; this is illustrated in Exhibit IV. Groups B, D, E, and F increased faculty salaries at the lowest rates. In the longer run, faculty salaries will have to increase at approximately the rate of growth of U.S. per capita disposable income if faculty are not to fall behind the remainder of society in their standard of living. The 1970-71 savings realized by the groups that increased salaries less than the projected 5 percent - we calculated the amount to be about $250,000 - is relatively insignificant in comparison with the increased tuition and fee revenues.

Nevertheless, when these amounts are combined with the benefits of unusually large tuition increases, the total amounts to $10.4 million; and this can be said to be the amount by which these institutions have achieved short-term improvements in operating results that cannot be sustained.* The graph in Exhibit V demonstrates what the 1970-71 operating results would have been without the $10.4 million and compares this with our previously projected operating results. The $2.5 million gap between the projected line and short-term savings adjustment represents the fundamental change attributable to the readjustments in resource allocations discussed at the beginning of this chapter. Thus, we conclude that only about 20 percent of the improvement in operating results is fundamental and likely to be enduring.

In the next section we attempt to obtain more quantitative evidence to support this assessment.

BUDGET DATA
FOR 1971-72

In order to obtain as timely a fix as possible on the trend in operating results we collected 1971-72 revenue and expenditure data as budgeted by participating institutions. Our sample was not as complete as it was for the previous data - we were able to obtain budget data from only 55 of the 61 institutions.**

While budget data are necessarily estimated, and thus, less concrete than after-the-fact audited information, they can provide a useful indication of expected trends. The major elements of revenue (tuition) and expenditure (salaries) were presumably known at the time the budget estimates were made.

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* - If the institutions have not hurt their competitive positions by these steps, the effect is positive in that they are receiving additional revenues sooner. However, if they have increased expenditures in reliance on the increased revenues, future cost pressures will be still greater as a consequence.

** - The six institutions which did not supply budget data are all in Group C.

From our analyses of these data, we note three factors that support our previous assessments. First, the budget data indicate that the operating results are likely to deteriorate in each of the groups. In Table 15 we list the changes in operating results for each group that will occur as indicated by the budget data submitted.

Table 15

CHANGE IN CURRENT RESULT FROM

1970-71 TO 1971-72 BASED ON BUDGET DATA
(Dollars in Thousands)

Group	
A	-$ 28
B	-$ 586
C	-$ 232
D	-$ 364
E	-$3,220
F	-$ 292
TOTAL	-$4,722

The aggregate change of minus $4.7 million subtracted from the reported positive $2.9 million in 1970-71 would produce a net negative result of $1.8 million.

The second factor is that despite some fundamental change in resource allocation in 1971-72, deterioration in operating results will occur. For example, Groups C through F report increasing student-faculty ratios of about 2 percent (more strikingly, these increases were achieved in Groups D, E, and F by net reductions in number of faculty), and yet, all the groups show declining results.

The third point is that some averaging of rates of tuition increase is occurring. Groups C and E, which had the largest increases in 1970-71, raised tuition less than 5 percent in 1971-72 (about 4.5 percent). The other groups, however, continue to increase tuition at significant rates of about 9 percent. *

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* - As we will discuss in Chapter 3, changes in public policy, such as those that increase student aid funds available to students attending private institutions, will permit tuition increases more rapid than we projected.

While the budget data indicate a level of operating results above that we had projected,* they cast doubt on the ability of these institutions to repeat the favorable results obtained in 1970-71.

In the next chapter we will put this information into the context of our reassessed projections for 1975-76.

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* - We reemphasize that the deficit level will remain above our projections (i.e., in Exhibit V) and will tend toward the zero level. This is because institutions generally cannot tolerate deficits and will take actions to preclude them.

3 - ASSESSMENT OF FUTURE FINANCIAL CONDITION

The first chapter documented the improvement in operating results and the deterioration in plant results that occurred in 1970-71. Chapter 2 presented an analysis that suggested that, while there were some fundamental changes in resource utilization, the improvement in operating results was in large degree a consequence of short-term actions and not likely to be enduring. In this chapter we examine projected financial conditions for 1975-76, taking 1970-71 data into consideration. To this end, we will:

- Summarize the projection methodology
- Discuss the modified projection results
- Assess future financial conditions in light of these projections.

PROJECTION METHODOLOGY

The most important elements of our projection methodology are the nature of the model and the main assumptions upon which the projections rest. For a more complete description of the methodology, we refer the reader to Chapter 2 of our earlier report. *

Projections are not predictions of what will actually occur in the future. They simply estimate future conditions that would result if certain assumptions were fulfilled. In this case, we have related all institutional income and expenditures to 38 key variables. When appropriate assumptions are made for the annual growth of these variables, projected financial results can be calculated.

We designed our assumptions to be consistent with a general strategy of projecting existing levels of resource application along with "reasonable" expectations of growth of U.S. Gross National Product (GNP) and inflation. This provides our base-line condition. Any deficits shown by these projections represent the magnitude of financial problems facing CICU institutions - i.e., the amount of new revenues required or, conversely, the amount by which expenditures must be curtailed. In line with this strategy, our main assumptions are essentially the same as they were last year:

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* - Study of the Financial Condition of Independent Higher Education in the Commonwealth of Pennsylvania (1971, Commission for Independent Colleges and Universities, Harrisburg, Pennsylvania).

1. Resources per student remain constant - i. e., no increase (or decrease) in: (a) student-faculty ratio, (b) student aid as a fraction of tuition, or (c) replacement value of plant per student (allowing for some small replacement of deteriorating plant to keep quality of plant approximately constant).

2. Pricing policy and salary standards be tied to projected annual growth of U.S. per capita disposable income of 5 percent.

3. Parameters unique to groups of institutions be selected on basis of group history and institutional projections, including (a) enrollments, and (b) amount of private giving.

The individual, annual growth rates selected for key variables are precisely the same as those listed in our earlier report, with three exceptions: (1) tuition and fees, (2) faculty salaries, and (3) private capital giving. Our earlier assumptions for the first two parameters were that they would average a 5 percent annual growth over the 6-year projection period. Accordingly, we modified the growth rates of the next 5 years so that in conjunction with the changes evident in 1970-71, growth rates would average 5 percent over the entire period.

In the case of private capital giving, we adjusted the projected growth rates to mitigate the impact of the unusual drops in giving for 1970-71 experienced by Groups B, D, and F. Owing to the normal volatility of capital giving, we were reluctant to place undue weight on the decline in giving shown in one year. We accordingly compensated for the reduced base of 1970-71 by assuming a somewhat higher annual growth rate on this lower base. We projected giving to grow at 10 percent per year for Groups B, D, and F in lieu of the 6 percent and 7 percent (depending on the group) growth rate on the higher 1969-70 base. Therefore, our present projections show a reduced total level of giving compared to projections made on the 1969-70 data base, but permit some additional recovery from 1970-71 conditions.

PROJECTION RESULTS

We applied the above assumptions to a 1970-71 base to develop projections for the year 1975-76 - the same end point we selected before. Use of the same projection year allows us to assess the degree of progress that is being made in improving the underlying financial condition. The new calculated projections showed that:

- Aggregate operating results would decline to a negative $36 million from the positive $2.9 million of 1970-71. These results represent an improvement of approximately $7 million over those made on the basis of 1969-70 data.

¶ Aggregate plant results would be a negative of $30.2 million. These are improved from the negative $56 million of 1970-71, but are worse than the negative $10.1 million plant result projected on the basis of 1969-70 data.

In Table 16 we present the projected operating results by groups of institutions.

Table 16

1975-76 PROJECTED OPERATING RESULTS BY GROUP
(Dollars in Millions)

Group	New Projections Using 1970-71 Data Base	Previous Projections Using 1969-70 Data Base
A	- 0.4	- 0.8
B	- 2.0	- 0.5
C	- 8.7	- 5.9
D	- 4.6	- 6.0
E	- 5.1	-10.3
F	-15.1	-19.4
Total	-35.9	-42.9

The most significant features of the projected results are that Groups B and C, which did little or no cutting back in real resources, show deficits greater than those previously projected. Groups A, D, E, and F, on the contrary, show results less severe than those previously projected.

Table 17 shows the projected plant results by group.

Table 17

1975-76 PROJECTED PLANT RESULTS BY GROUP
(Dollars in Millions)

Group	Capital Result
A	- 1.8
B	- 6.9
C	- .9
D	- 0.5
E	- 7.7
F	-12.4
Total	-30.2
Previous Projected Total	(-10.1)

The most dramatic shifts in these results from those previously projected are those that occurred in Groups D and F. These latter two groups experienced large drops in private capital giving in 1970-71. This has been translated into a $12.9 million negative plant result for the two groups - whereas previously we had projected a joint plant result of a positive $8.4 million.

REASSESSMENT OF FUTURE FINANCIAL CONDITION

Exhibit VI shows graphically the new projected operating results in comparison with the previous projections. We have labeled the difference between the old projection and the new "Net Fundamental Readjustment." This $7.0 million projected difference can be considered to be the net amount of fundamental change from our base-line condition achieved by the surveyed institutions in resource utilization from 1969-70 to 1970-71. The $35.9 million projected deficit represents the remaining problem. Either new revenues, or additional cutbacks in resources equivalent to this amount, will have to be found.

The picture, of course, varies for each group of institutions. As we illustrated in Chapter 2, Groups A, B, and C have achieved little fundamental readjustment over the last year and Group E institutions have achieved a substantial amount. Therefore, the problem facing each group of institutions varies in proportion to the magnitude of fundamental change that will be required and in terms of the options open to the individual institutions.

The evidence of the first yearly update suggests that in the absence of new revenues, institutions can and will redress the financial balance. It is difficult to predict the extent to which institutions will do so through basic changes in resource utilization; through tuition increases - and thus reduction in the ability of students from the general population to attend; or through reduction in faculty salaries and, consequently in the relative standard of living of faculty. Thus far, we have seen evidence of all three.

Moreover, many of the institutional options will be predicated on public policy - Federal as well as that of the Commonwealth. The public institutions may no longer grow as rapidly as they have in the past; if they do not, the applicant pool for independent institutions will increase. Also, the governments may provide substantially increased scholarship aid to students attending private institutions.* Both such actions might well permit institutions to increase tuition rates more rapidly than we have projected without proportionately increasing institutional student aid and without decreasing their ability to attract qualified students. The increased state scholarship aid would ensure that those prospective students normally most affected by higher tuition would still be able to afford to attend the institutions.

The projections of plant result, although more open to uncertainty, are still of concern. The projected negative plant results would have the consequence of drastic increases in the level of institutional indebtedness. On the one hand, we believe our projections on new plant to be reasonably conservative - reflecting only normal plant replacement and completion of construction programs already planned by institutions. On the other hand, once the momentum of projects already committed has passed, institutions can choose to place a moratorium on new construction. Indeed, this has already occurred at several institutions. If low levels of private capital giving require it, institutions may choose to live with a condition of slowly deteriorating plant. (The amount of discretion concerning cutbacks in operating expenditures is more limited.) Thus, we would expect that institutions will take the kinds of actions that will prevent the projected negative capital results from occurring.

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* - In 1971-72, all groups showed increased state scholarship (PHEAA) funds flowing to institutions.

Moreover, to the extent that the decline in capital giving during 1970-71 was attributable only to the troubled state of the U.S. economy, we can expect giving to rebound upward along with the economy, and the projections will prove to have been unduly pessimistic.

* * *

The results of the update have presented a hopeful as well as troublesome picture. While the aggregate operating result has improved, more institutions seem to be facing serious difficulty. Although significant fundamental adjustment in resource utilization appears to have been achieved in some groups, little or none has occurred in others. Moreover, a possible deterioration in capital results adds uncertainty to the total financial picture. On the whole, we are encouraged that the institutions surveyed are taking actions to alleviate the pressures they face; on the other hand, we believe that still further readjustment of programs will be required to avoid substantial operating deficits. The manner in which those adjustments are made will determine the extent to which the quality of the educational programs of these institutions and their ability to serve society will be preserved.

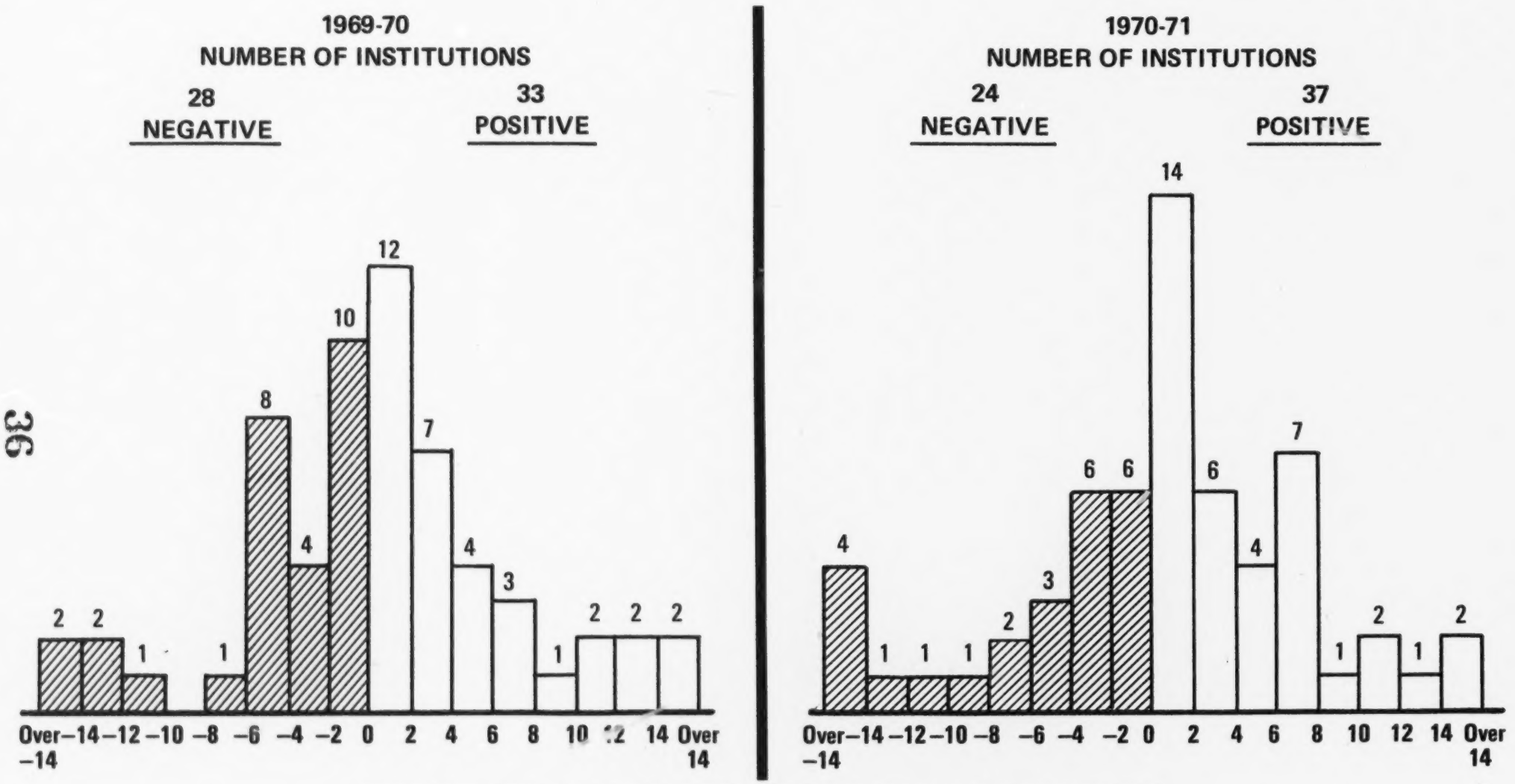
EPILOGUE

In these reports we have attempted to portray objectively the financial condition of these institutions. We have been deliberately descriptive rather than prescriptive in our analyses.

At the same time we have been aware of the quandary the leadership of many institutions find themselves in. To them, the pressures appear inexorable and they are constantly reminded that cutbacks may be harmful to vital programs of the institutions. Moreover, the basic economics of higher education often appear elusive. With this in mind, we have presented the financial condition in such manner that it is linked to specific areas of resource utilization susceptible to management action.

Individuals from several institutions have reported that this conceptual framework has aided them in systematically modifying their methods of resource utilization to come to terms with financial pressures. This was, indeed, our hope. Therefore, we urge each institution to study their institutional data we have provided in conjunction with our report. If this does not make decisions easier, it may make the options more clear-cut, and thus show which have the greatest payoff and the least negative impact on educational programs.

DISTRIBUTION OF INSTITUTIONS' CURRENT RESULTS AS PERCENTAGE OF CURRENT EXPENDITURES


1969-70
NUMBER OF INSTITUTIONS
28
NEGATIVE
33
POSITIVE
2 2 1 1 8 4 10 12 7 4 3 1 2 2 2
Over −14 −14 −12 −10 −8 −6 −4 −2 0 2 4 6 8 10 12 14 Over 14
1970-71
NUMBER OF INSTITUTIONS
24
NEGATIVE
37
POSITIVE
4 1 1 1 2 3 6 6 14 6 4 7 1 2 1 2
Over −14 −14 −12 −10 −8 −6 −4 −2 0 2 4 6 8 10 12 14 Over 14
CURRENT RESULT AS PERCENTAGE OF CURRENT EXPENDITURES

McKinsey & Company, Inc.

Exhibit I

COMPARATIVE ANNUAL GROWTH RATES OF REVENUES AND EXPENDITURES

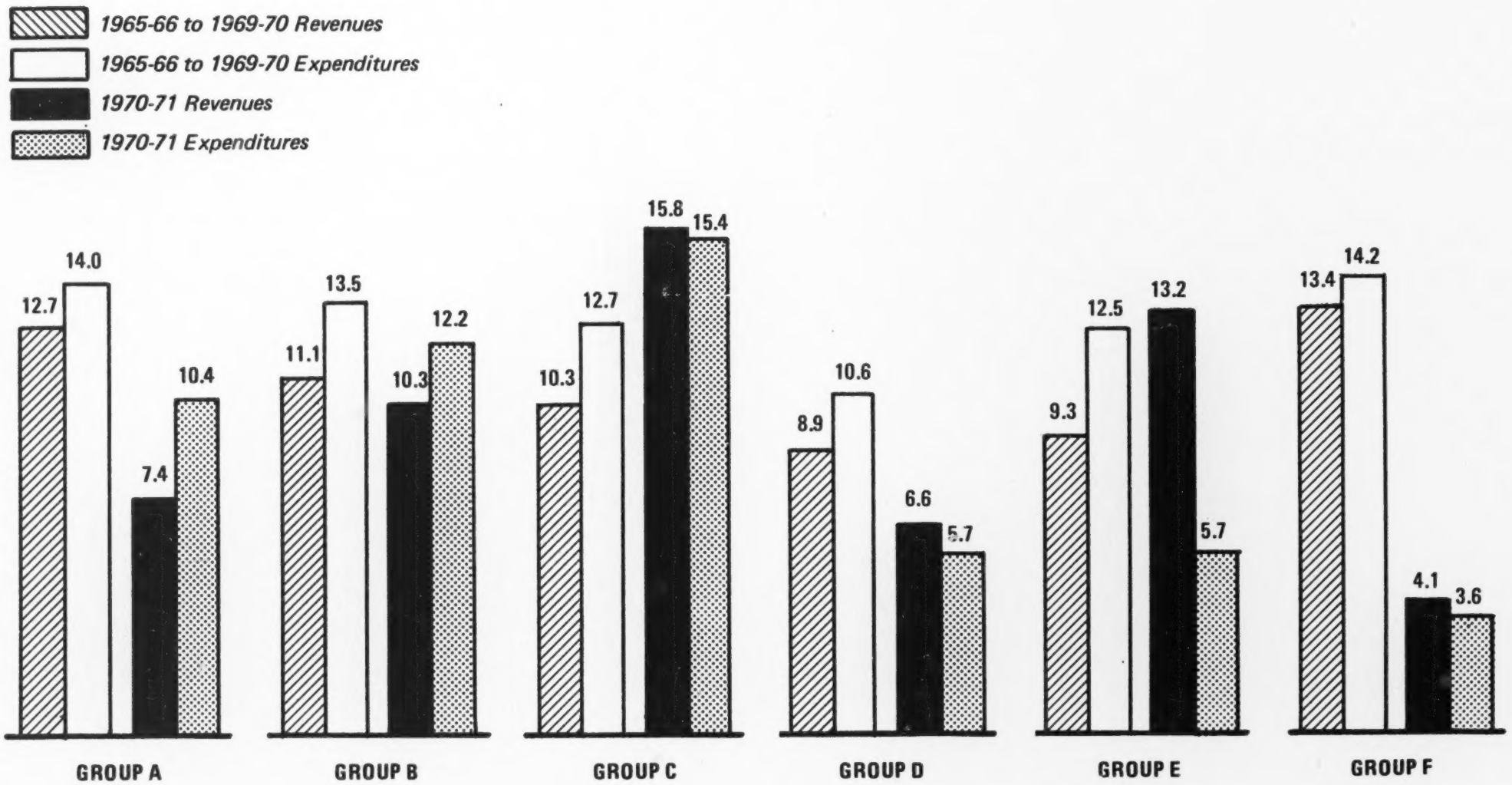


Exhibit II

McKinsey & Company, Inc.

Exhibit III

ANNUAL GROWTH RATE OF
TUITION AND FEES PER FTEE

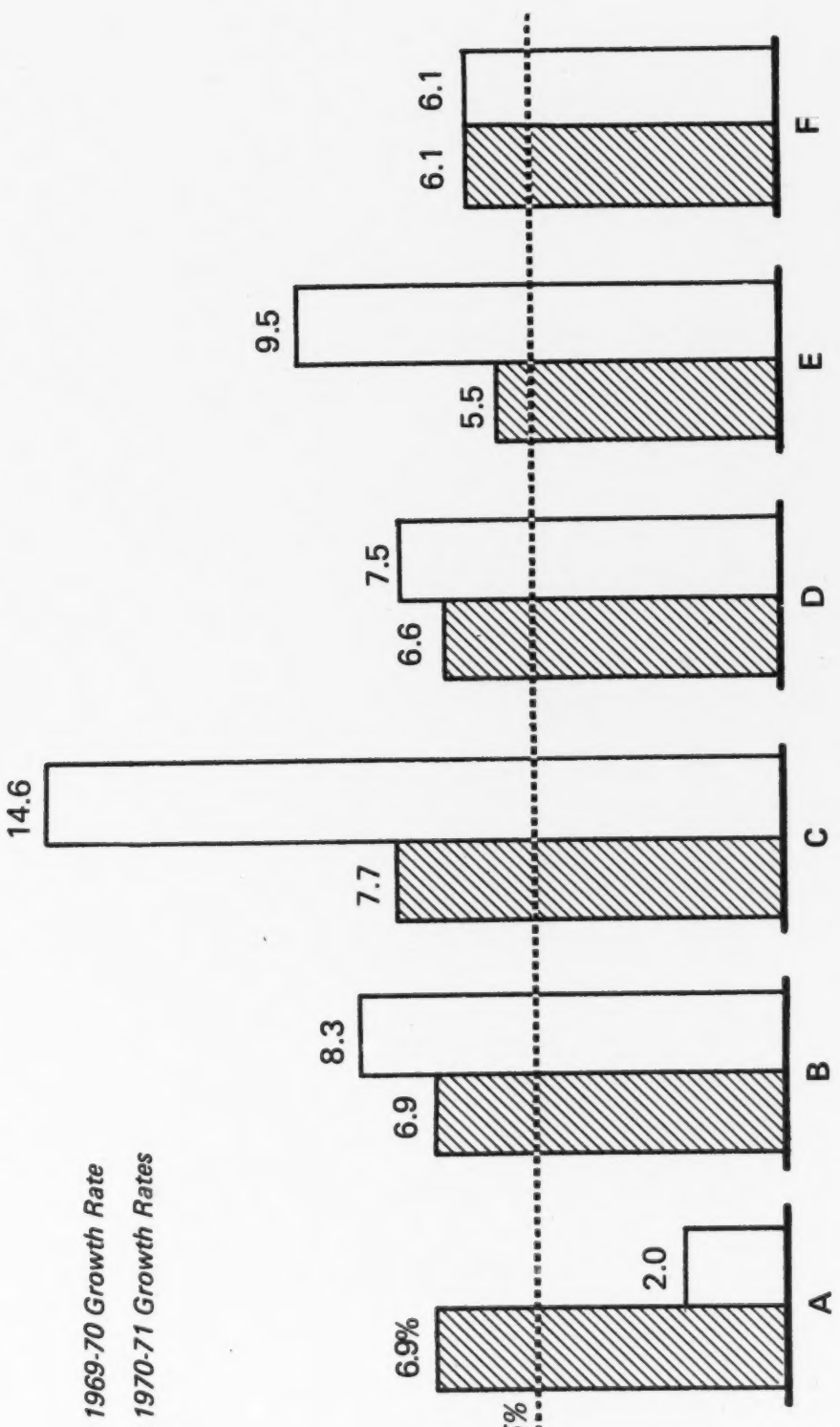


Exhibit IV

ANNUAL GROWTH RATE OF
INSTRUCTIONAL SALARIES PER FTEF

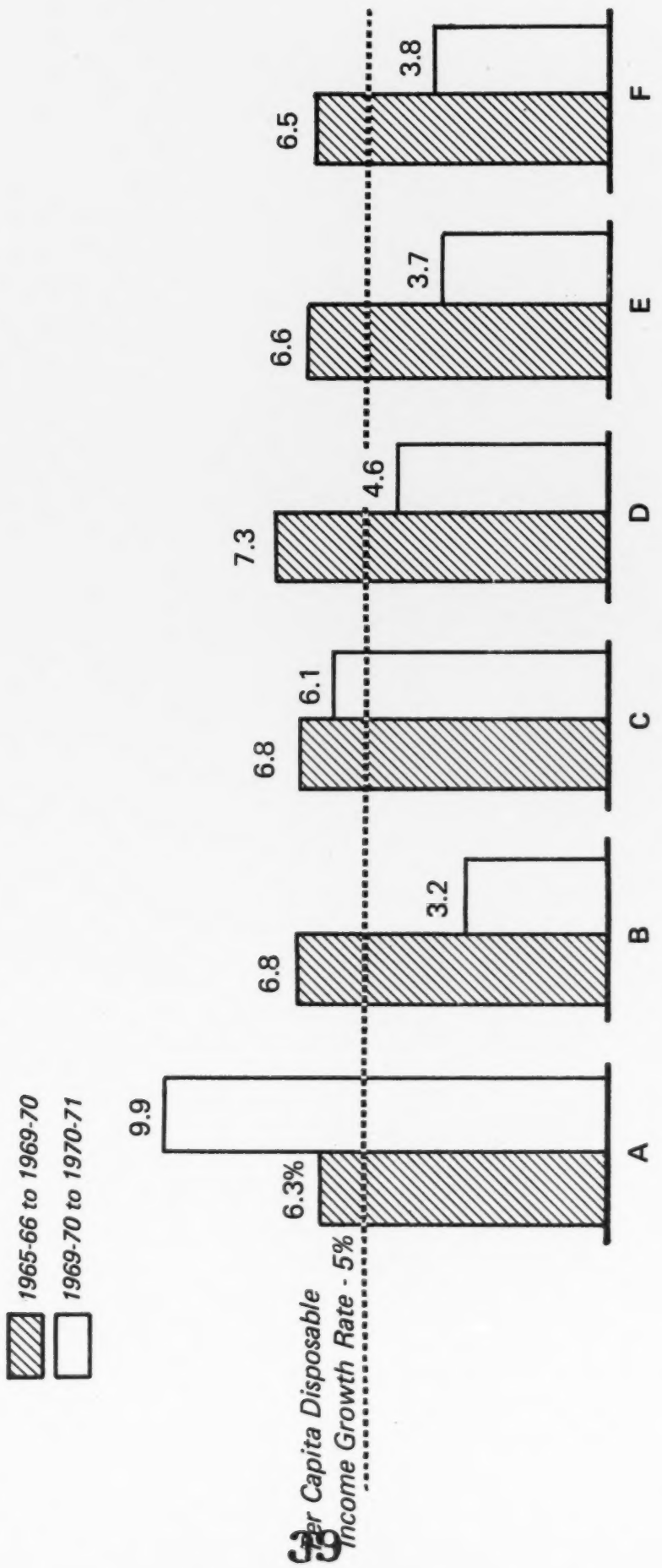


Exhibit V

OPERATING RESULT ADJUSTED WITHOUT
SHORT-TERM TUITION GAINS

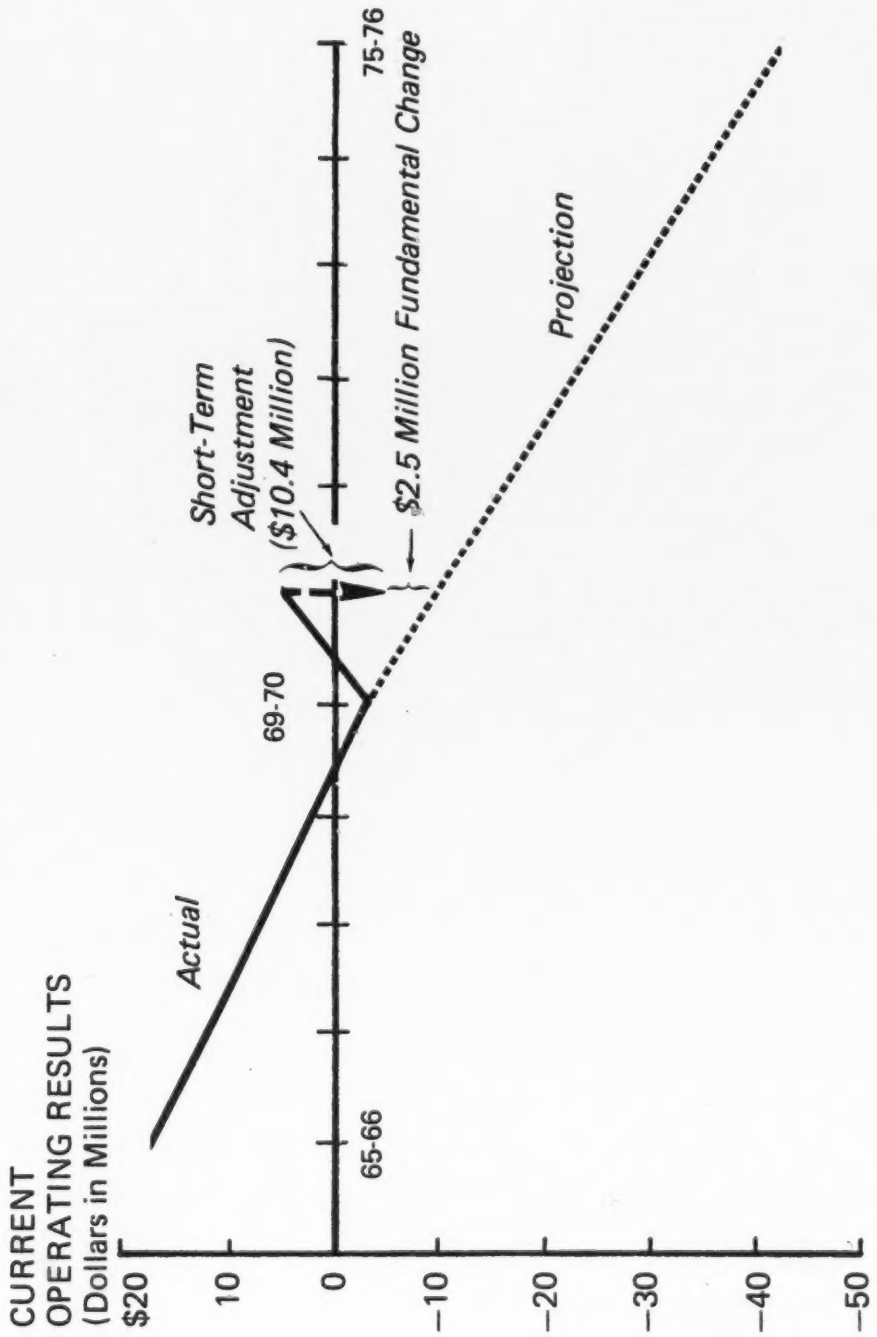
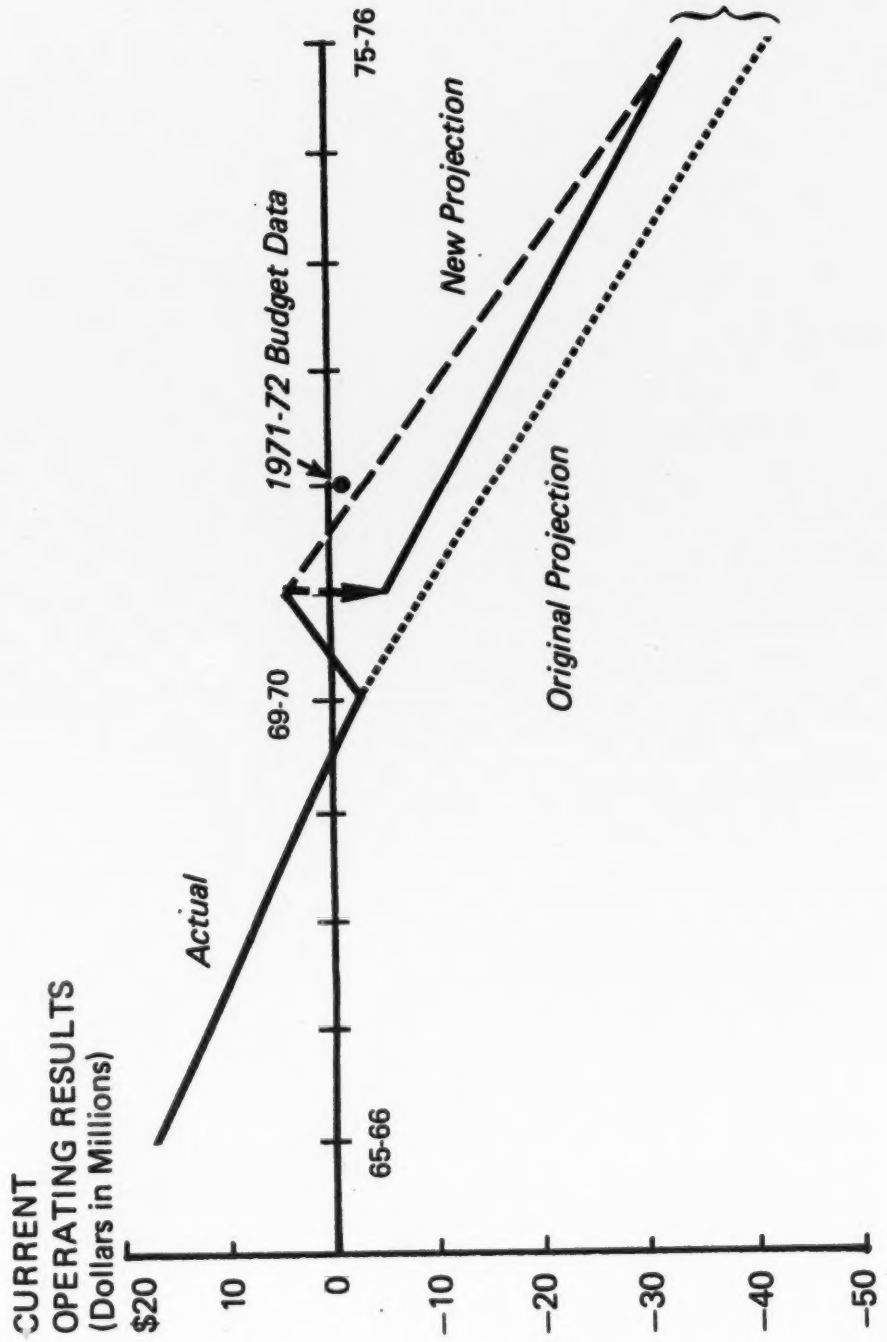


Exhibit VI

RECALCULATED PROJECTION RESULTS COMPARED TO ORIGINAL PROJECTIONS



COMPARISON OF HISTORICAL FINANCIAL DATA IN UPDATE STUDY WITH FINANCIAL DATA IN ORIGINAL STUDY

We have employed a different historical data base (years 1965-66 through 1969-70) in this update study than the one used in the original financial study. There were three reasons for modifying the historical data:

1. Slightly fewer institutions participated in the update study (61 instead of 64) than in the original

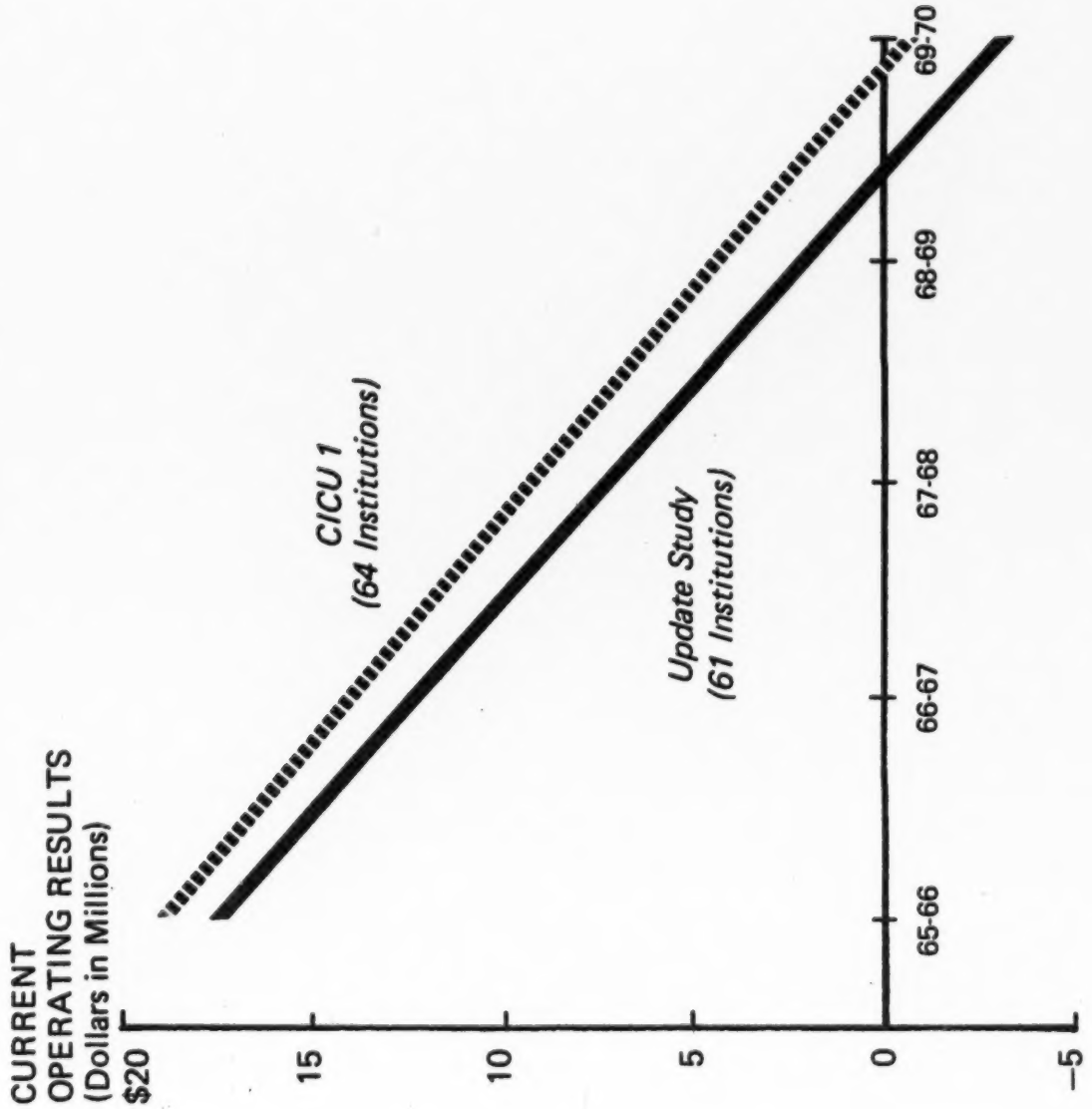
2. We received improved data - e.g., certified audits - from a few institutions that were not available for the original study

3. A small number of institutions had altered their accounting treatments of certain information such as the value of contributed services.

While the aggregate change in the calculated operating result for 1969-70 was $2.7 million - from a negative $0.9 million to a negative $3.6 million - the impact on past trends and projections is minor. To illustrate this point, we show in the attached Exhibit both the original and revised data base for operating results.

A - 2
Exhibit

MODIFIED HISTORICAL DATA BASE FOR UPDATE STUDY



SUMMARY OF HISTORICAL AND PROJECTION RESULTS

AGGREGATE

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	122,795	138,890	144,302	157,212
Weighted FTEE	137,693	155,382	161,865	176,831
Full-time Equivalent Teaching Faculty	9,257	11,039	11,544	12,565
Weighted FTEE/Teaching Faculty Ratio	14.9	14.1	14.0	14.1
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 143.3	$ 208.5	$ 237.3	$ 315.3
- Endowment Income	15.2	22.7	25.2	31.9
- Private Gifts and Grants	17.4	22.4	24.4	33.1
- State Maintenance	9.3	15.0	15.0	15.0
- Sponsored and Other Separately Budgeted Research	41.2	59.7	59.2	76.0
- Other Educational and General	15.3	37.9	36.3	50.7
TOTAL	$ 241.7	366.2	$ 397.4	$ 522.0
B. Student Aid Revenue	7.5	14.7	15.8	20.1
C. Major Public Service Program Revenue	18.6	45.1	49.7	60.5
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	40.4	52.5	56.8	74.0
- Other Auxiliary	15.9	22.0	23.9	31.5
TOTAL	$ 56.3	74.4	$ 80.7	$ 105.5
TOTAL OPERATING REVENUES	$ 324.1	500.4	$ 543.3	$ 707.9
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 95.4	$ 156.3	$ 165.1	$ 234.8
- Extension and Public Service	0.6	1.0	1.1	1.5
- Libraries	8.6	14.3	15.5	24.9
- Plant Maintenance and Operation	22.1	35.8	39.2	57.5
- General Administration, General Institutional and Student Services	44.2	73.6	82.6	117.8
- Sponsored and Other Separately Budgeted Research	35.8	51.5	51.2	65.8
- Other Educationai and General	6.1	13.3	14.0	20.5
TOTAL	$ 212.8	$ 345.8	$ 368.7	$ 522.8
B. Student Aid Expenditures	21.7	38.0	41.4	55.1
C. Major Public Service Program Expenditures	20.3	44.4	48.0	58.4
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	35.3	51.4	54.6	71.2
- Other Auxiliary	16.6	24.7	27.7	36.2
TOTAL	$ 51.9	$ 76.0	$ 82.3	$ 107.4
TOTAL OPERATING EXPENDITURES	$ 306.7	$ 504.3	$ 540.4	$ 743.7
OPERATING RESULT (II – III)	$ 17.1	$ -3.7	$ 2.9	$ -35.9
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 38.4	$ 52.4	$ 38.2	$ 37.1
Plant Expenditures	60.0	91.1	94.4	67.3
Plant (Capital) Result	$ -21.6	$ -38.7	$ -56.2	$ -30.2

GROUP A

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	3,230	4,300	4,494	5,505
Weighted FTEE	3,230	4,314	4,515	5,584
Full-time Equivalent Teaching Faculty	255	330	336	416
Weighted FTEE/Teaching Faculty Ratio	12.7	13.1	13.4	13.4
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 3.2	5.7	6.0	$ 9.7
- Endowment Income	0.0	.2	.2	.3
- Private Gifts and Grants	.3	.3	.4	.6
- State Maintenance	.4	.5	.5	.5
- Sponsored and Other Separately Budgeted Research	.1	.1	.1	.2
- Other Educational and General	.1	.2	.2	.3
TOTAL	$ 4.1	$ 6.9	$ 7.5	$ 11.6
B. Student Aid Revenue	.1	.2	.3	.4
C. Major Public Service Program Revenue	0	0	0	0
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	.9	1.3	1.1	1.5
- Other Auxiliary	.4	.6	.7	1.0
TOTAL	$ 1.3	$ 1.7	$ 1.8	$ 2.5
TOTAL OPERATING REVENUES	$ 5.5	$ 8.9	$ 9.5	$ 14.4
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 1.9	$ 3.2	$ 3.6	$ 5.5
- Extension and Public Service	.1	.1	.1	.1
- Libraries	.1	.3	.3	.5
- Plant Maintenance and Operation	.5	.8	.9	1.5
- General Administration, General Institutional and Student Services	1.3	2.2	2.3	3.6
- Sponsored and Other Separately Budgeted Research	.1	.1	.1	.2
- Other Educational and General	0.0	0.0	0.0	0.0
TOTAL	$ 4.0	$ 6.6	$ 7.3	$ 11.5
B. Student Aid Expenditures	.2	.5	.5	.8
C. Major Public Service Program Expenditures	0	0	0	0
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	.6	1.1	1.1	1.4
- Other Auxiliary	.4	.5	.7	1.1
TOTAL	$ 1.0	$ 1.6	$ 1.8	$ 2.5
TOTAL OPERATING EXPENDITURES	$ 5.1	$ 8.7	$ 9.6	$ 14.8
OPERATING RESULT (II – III)	$ .4	$ .2	$ 0	$ -.4
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ .8	$ .6	$ .5	$ .7
Plant Expenditures	.8	.7	1.4	2.5
Plant (Capital) Result	$ -.1	$ -.2	$ -.9	$ -1.8

GROUP B

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	15,036	17,333	17,936	21,344
Weighted FTEE	15,140	17,584	18,232	21,772
Full-time Equivalent Teaching Faculty	792	988	1,066	1,274
Weighted FTEE/Teaching Faculty Ratio	19.1	17.8	17.1	17.1
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 12.3	$ 18.5	$ 20.7	$ 30.4
- Endowment Income	.2	.3	.4	.5
- Private Gifts and Grants	1.8	2.9	3.3	4.7
- State Maintenance	0	0	0	0
- Sponsored and Other Separately Budgeted Research	0	0.1	0.1	0.1
- Other Educational and General	.4	1.0	.8	1.2
TOTAL	$ 14.7	$ 22.7	$ 25.3	$ 36.9
B. Student Aid Revenue	0.1	0.6	0.7	0.9
C. Major Public Service Program Revenue	0	0	0	0
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	4.4	6.3	6.6	9.8
- Other Auxiliary	1.5	1.9	2.2	3.1
TOTAL	$ 5.9	$ 8.2	$ 8.8	$ 12.9
TOTAL OPERATING REVENUES	$ 20.7	$ 31.5	$ 34.8	$ 50.7
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 5.5	$ 9.3	$ 10.7	$ 17.4
- Extension and Public Service	0.0	0.3	.3	.5
- Libraries	0.6	1.2	1.3	2.5
- Plant Maintenance and Operation	1.2	2.5	2.7	4.3
- General Administration, General Institutional and Student Services	3.8	6.4	7.5	11.4
- Sponsored and Other Separately Budgeted Research	0	0.1	0	0.1
- Other Educational and General	0.2	0.2	0.2	0.3
TOTAL	$ 11.3	$ 20.0	$ 22.8	$ 36.5
B. Student Aid Expenditures	1.2	2.4	2.5	3.7
C. Major Public Service Program Expenditures	0	0	0	0
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	4.2	5.9	6.4	9.4
- Other Auxiliary	1.5	1.9	2.2	3.1
TOTAL	$ 5.7	$ 7.8	$ 8.5	$ 12.5
TOTAL OPERATING EXPENDITURES	$ 18.1	$ 30.1	$ 33.8	$ 52.7
OPERATING RESULT (II – III)	$ 2.6	$ 1.4	$ 1.0	$ -2.0
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 1.9	$ 3.7	$ 2.5	$ 2.5
Plant Expenditures	6.5	7.7	7.5	9.4
Plant (Capital) Result	$ -4.6	$ -4.0	$ -5.0	$ -6.9

GROUP C

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	41,522	47,509	49,166	52,854
Weighted FTEE	42,064	48,470	50,162	54,390
Full-time Equivalent Teaching Faculty	2,545	3,131	3,415	3,702
Weighted FTEE/Teaching Faculty Ratio	16.5	15.5	14.7	14.7
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 42.6	$ 65.5	$ 77.7	$ 99.2
- Endowment Income	1.9	2.5	3.2	4.4
- Private Gifts and Grants	4.5	5.8	5.9	7.8
- State Maintenance	0	0	0	0
- Sponsored and Other Separately Budgeted Research	.4	.6	1.1	1.5
- Other Educational and General	2.1	3.8	3.8	5.0
TOTAL	$ 51.5	$ 78.2	$ 91.7	$ 117.9
B. Student Aid Revenue	.7	2.4	3.1	4.0
C. Major Public Service Program Revenue	0	0	0	0
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	15.0	19.9	22.1	28.3
- Other Auxiliary	4.7	6.1	6.8	8.9
TOTAL	$ 19.7	$ 26.0	$ 28.9	$ 37.2
TOTAL OPERATING REVENUES	$ 71.9	$ 106.6	$ 123.5	$ 159.1
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 21.5	$ 35.2	$ 40.5	$ 57.7
- Extension and Public Service	.2	.3	.3	.5
- Libraries	2.3	3.8	4.3	6.5
- Plant Maintenance and Operation	5.5	8.6	10.7	15.0
- General Administration, General Institutional and Student Services	$ 12.6	$ 20.8	$ 24.6	$ 34.9
- Sponsored and Other Separately Budgeted Research	.4	.7	1.6	2.0
- Other Educational and General	1.1	2.7	2.6	3.8
TOTAL	$ 43.5	$ 72.2	$ 84.6	$ 120.4
B. Student Aid Expenditures	4.2	7.6	9.1	11.6
C. Major Public Service Program Expenditures	0	0	0	0
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	12.9	19.1	20.8	26.8
- Other Auxiliary	4.7	6.4	7.0	9.1
TOTAL	$ 17.6	$ 25.5	$ 27.8	$ 35.9
TOTAL OPERATING EXPENDITURES	$ 65.3	$ 105.3	$ 121.5	$ 167.8
OPERATING RESULT (II – III)	$ 6.6	$ 1.3	$ 2.0	$ -8.7
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 9.7	$ 13.0	$ 16.6	$ 11.7
Plant Expenditures	22.2	31.9	31.9	12.6
Plant (Capital) Result	$ -12.4	$ -18.9	$ -15.3	$ - .9

GROUP D

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	10,160	10,971	11,310	12,384
Weighted FTEE	10,166	10,986	11,323	12,427
Full-time Equivalent Teaching Faculty	817	906	912	1,001
Weighted FTEE/Teaching Faculty Ratio	12.4	12.1	12.4	12.4
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 15.9	$ 22.1	$ 24.5	$ 33.4
- Endowment Income	3.4	4.5	4.8	6.2
- Private Gifts and Grants	2.3	3.2	3.1	4.2
- State Maintenance	0	0	0	0
- Sponsored and Other Separately Budgeted Research	.5	1.1	.9	1.2
- Other Educational and General	1.1	1.7	1.8	2.5
TOTAL	$ 23.2	$ 32.6	$ 35.1	$ 47.4
B. Student Aid Revenue	1.0	1.6	1.7	2.1
C. Major Public Service Program Revenue	0	0	0	0
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	6.0	7.8	8.1	9.8
- Other Auxiliary	1.8	2.2	2.2	2.9
TOTAL	$ 7.8	$ 10.0	$ 10.3	$ 12.7
TOTAL OPERATING REVENUES	$ 32.0	$ 44.2	$ 47.1	$ 62.3
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 9.9	$ 14.6	$ 15.7	$ 22.6
- Extension and Public Service	.3	.1	.2	.2
- Libraries	1.2	1.8	2.0	3.0
- Plant Maintenance and Operation	2.5	3.7	4.0	5.8
- General Administration, General Institutional and Student Services	5.9	9.1	9.6	13.9
- Sponsored and Other Separately Budgeted Research	.5	.9	1.0	1.3
- Other Educational and General	.7	1.3	1.4	1.8
TOTAL	$ 20.9	$ 31.6	$ 33.8	$ 48.5
B. Student Aid Expenditures	2.1	3.3	3.6	5.2
C. Major Public Service Program Expenditures	0	0	0	0
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	$ 5.4	$ 8.1	$ 8.2	$ 9.9
- Other Auxiliary	1.9	2.4	2.4	3.2
TOTAL	$ 7.3	$ 10.5	$ 10.6	$ 13.2
TOTAL OPERATING EXPENDITURES	$ 30.3	$ 45.4	$ 48.0	$ 66.9
OPERATING RESULT (II – III)	$ 1.4	$ -1.2	$ - .9	$ -4.6
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 6.4	$ 10.7	$ 4.0	$ 5.4
Plant Expenditures	9.6	10.0	5.7	5.9
Plant (Capital) Result	$ -3.2	$ .7	$ -1.7	$ - .5

GROUP E

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	27,976	30,911	32,952	35,359
Weighted FTEE	31,919	35,667	38,611	41,579
Full-time Equivalent Teaching Faculty	1,737	2,064	2,096	2,257
Weighted FTEE/Teaching Faculty Ratio	18.4	17.3	18.4	18.4
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees*	$ 31.5	$ 43.1	$ 50.3	$ 65.9
- Endowment Income	1.4	1.9	2.1	3.0
- Private Gifts and Grants	0.8	1.6	2.2	3.1
- State Maintenance	1.4	2.4	2.4	2.4
- Sponsored and Other Separately Budgeted Research	1.7	2.9	2.9	3.7
- Other Educational and General	1.2	3.5	3.8	5.2
TOTAL	$ 38.0	$ 55.5	$ 63.7	$ 80.9
B. Student Aid Revenue	1.0	1.4	1.5	1.9
C. Major Public Service Program Revenue	0	0	0	0
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	5.9	7.9	8.4	10.8
- Other Auxiliary	3.6	4.4	4.7	6.2
TOTAL	$ 9.5	$ 12.3	$ 13.1	$ 17.0
TOTAL OPERATING REVENUES	$ 48.5	$ 69.2	$ 78.4	$ 102.2
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 17.6	$ 25.7	$ 26.8	$ 39.2
- Extension and Public Service	0	0	0	0
- Libraries	1.5	2.5	2.5	4.4
- Plant Maintenance and Operation	5.6	8.5	8.4	12.0
- General Administration, General Institutional and Student Services	6.0	11.5	12.8	17.6
- Sponsored and Other Separately Budgeted Research	1.5	2.8	2.7	3.5
- Other Educational and General	.8	2.2	2.7	4.6
TOTAL	$ 33.0	$ 53.1	$ 55.8	$ 81.3
B. Student Aid Expenditures	4.0	6.6	7.0	9.1
C. Major Public Service Program Expenditures	0	0	0	0
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	4.3	6.9	7.6	9.8
- Other Auxiliary	3.4	5.2	5.5	7.1
TOTAL	$ 7.7	$ 12.1	$ 13.1	$ 16.9
TOTAL OPERATING EXPENDITURES	$ 44.7	$ 71.8	$ 75.9	$ 107.4
OPERATING RESULT (II – III)	$ 3.7	$ -2.6	$ 2.5	$ -5.1
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 4.3	$ 2.1	$ 4.3	$ 4.5
Plant Expenditures	10.1	9.8	20.4	12.2
Plant (Capital) Result	$ -5.8	$ -7.7	$ -16.1	$ -7.7

GROUP F

	1965-66	1969-70	1970-71	1975-76
I. ENROLLMENT AND FACULTY				
FTEE	24, 871	27, 866	28, 444	29, 866
Weighted FTEE	34, 174	38, 361	39, 022	41, 079
Full-time Equivalent Teaching Faculty	3, 111	3, 620	3, 719	3, 915
Weighted FTEE/Teaching Faculty Ratio	11.0	10. 6	10. 5	10. 5
II. OPERATING REVENUES (Millions)				
A. Educational and General Revenue				
- Tuition and Fees	$ 37. 8	$ 53. 6	$ 58. 1	$ 76. 7
- Endowment Income	8. 3	13. 4	14. 5	17. 5
- Private Gifts and Grants	7. 7	8. 5	9. 5	12. 7
- State Maintenance	7. 5	12. 1	12. 1	12. 1
- Sponsored and Other Separately Budgeted Research	38. 5	54. 9	54. 1	69. 3
- Other Educational and General	10. 4	27. 8	25. 9	36. 5
TOTAL	$ 110. 2	$ 170. 3	$ 174. 2	$ 224. 8
B. Student Aid Revenue	4. 6	8. 5	8. 5	10. 8
C. Major Public Service Program Revenue	18. 6	45. 1	49. 7	60. 5
D. Auxiliary Enterprise Revenue				
- Housing and Food Service	8. 2	9. 4	10. 5	13. 8
- Other Auxiliary	3, 9	6. 8	7. 3	9. 4
TOTAL	12. 1	16. 2	17. 8	23. 1
TOTAL OPERATING REVENUES	$ 145. 5	$ 240. 1	$ 250. 0	$ 319. 2
III. OPERATING EXPENDITURES (Millions)				
A. Educational and General Expenditures				
- Instruction and Departmental Research	$ 39. 0	$ 68. 3	$ 67. 8	$ 92. 4
- Extension and Public Service	0. 0	0. 2	0. 2	0. 2
- Libraries	2. 9	4. 7	5. 1	8. 0
- Plant Maintenance and Operation	6. 8	11. 7	12. 5	18. 9
- General Administration, General Institutional and Student Services	14. 6	23. 6	25. 8	36. 4
- Sponsored and Other Separately Budgeted Research	33. 3	46. 9	45. 8	58. 7
- Other Educational and General	3. 3	6. 9	7. 1	10. 0
TOTAL	$ 99. 9	$ 162. 2	$ 164. 5	$ 224. 7
B. Student Aid Expenditures	10. 0	17. 6	18. 7	24. 7
C. Major Public Service Program Expenditures	20. 3	44. 4	48. 0	58. 4
D. Auxiliary Enterprise Expenditures				
- Housing and Food Service	7. 9	10. 3	10. 5	13. 9
- Other Auxiliary	4, 7	8. 3	9. 9	12. 6
TOTAL	$ 12. 6	$ 18. 6	$ 20. 4	$ 26. 5
TOTAL OPERATING EXPENDITURES	$ 142. 9	$ 242. 8	$ 251. 5	$ 334. 2
OPERATING RESULT (II – III)	$ +2. 4	$ -2. 8	$ -1. 6	$ -15. 1
	1965-67 AVERAGE	1968-70 AVERAGE	1970-71	1975-76
IV. PLANT RECEIPTS AND EXPENDITURES (Millions)				
Capital Receipts Available for Plant	$ 15. 3	$ 22. 3	$ 10. 3	$ 12. 3
Plant Expenditures	10. 8	31. 0	27. 5	24. 7
Plant (Capital) Result	$ +4. 5	$ -8. 6	$ -17. 2	$ -12. 4